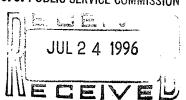
## BEFORE



## THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 95-1243-S

JULY 22,1996



IN RE:

Application of Shoals Sewer Company for Approval of an Increase in its Sewer Rates and Late Charge Fee

PRE-FILING TESTIMONY OF APPLICANT

TESTIMONY OF APPLICANT:

The Shoals Sewer Company provides residential sewer service to 95 customers in Anchor Point Condominiums (36 units) and The Shoals subdivision (59 units). Since the initial rate of \$18.00/mo/unit was approved by the P.S.C. on October, 1989, there have been no request for rate increases.

There have been many additional cost increases since 1989due to inflation and new and more demanding DHEC regulations, for example: (1.) The plant operator was paid \$300/mo., including lab and chemicals. Now it is \$740/mo. ( a 247% increase), \$525 for the operator, \$150 for the lab, and \$65 for chemicals. (2.) Electricity cost was \$200/mo. average. Now it is \$350/mo.(175% increase). (3.) Sludge removal was \$75/load. Now it is \$250/load. (a 333% increase).

Refering to Exhibit "5"- The 1995 Balance Sheet using the new rate shows that the total cost of \$50.240 for 95 customers is actually \$44.07/mo/unit. And this is with no profit. The test year information is now nearly a year old, so the present cost would be \$46.00/mo., or \$48.76 with a 6% profit margin.

With the proposed rate of \$25.00/mo/unit as shown on Exhibit "5", the operating margin will be a \$20,690 loss, but will allow the company to have enough cash flow to pay its operational cost each month. This still leaves no provision for its debt service, neither principal nor interest.

In conclusion, it is clearly obvious that the rate of \$25.00/mo./unit is in no way excessive, an average 5% /yr. increase since 1989, but is absolutely required if this sewer company is to continue to operate. The only reason I have not requested the logical rate of \$48.76 is that I feel that the impact would be too great for some customers. Therefore this compromise.

The Applicant is also requesting a late notice fee of \$5.00. This will not pay for the expense of sending the certified notices, but with the existing \$0.27 late charge, the additional \$5.00 may create more incentive for the customer to pay on time.

This concludes my testimony and I submit to the commission for its decision.

S. C. PUBLIC SEPVICE COMMISSION Sewer Company

D. F. Allen. President

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